

UNIVERSITY OF
ILLINOIS LIBRARY
AT URBANA-CHAMPAIGN
BOOKSTACKS

Digitized by the Internet Archive
in 2011 with funding from
University of Illinois Urbana-Champaign

330
B385
No. 1227 ~~COPY 2~~
cop. 2



BEER

FACULTY WORKING
PAPER NO. 1227

Delight or Plight of Old Age in Japan?
Problems of Work, Leisure, and Equality

Koji Taira

THE LIBRARY OF THE
APR 10 1986
UNIV. OF ILLINOIS

College of Commerce and Business Administration
Bureau of Economic and Business Research
University of Illinois, Urbana-Champaign

BEBR

FACULTY WORKING PAPER NO 1227

College of Commerce and Business Administration

University of Illinois at Urbana-Champaign

February 1986

Delight or Plight of Old Age in Japan?
Problems of Work, Leisure, and Equality

Koji Taira, Professor
Department of Economics

Abstract

This paper explores a structure of social injustice in Japan's labor market processes and outcomes: inequalities and disadvantages in the labor market suffered by Japan's older persons 55 years and older. Statistical data are examined to shed light on the issue, with respect to labor force participation, type of employment, "lifetime employment" for the young, life after mandatory retirement, and labor market conditions for the aged. Male-female differentials are emphasized. Welfare and policy implications are also considered.

Delight or Plight of Old Age in Japan?
Problems of Work, Leisure, and Equality

by

Koji Taira
University of Illinois
Champaign-Urbana, Illinois

Japan's life expectancy at birth is the world's highest (nearly 80 years for women and 74 years for men in 1983). Coupled with a low and decreasing birth rate (15.26 per thousand in 1970 and 12.75 in 1982), the lengthening of the life span is rapidly raising the proportion of the population in the "old-age" category. By the usual measure of the age at which "old age" starts in many countries, namely 65, the percentage of Japanese population 65 and older rose from 7.9 percent in 1975 to an estimated 10.1 percent in 1985 and projected to rise to about 16 percent by the year 2000. At age 65, in 1983, men on the average had 15 more years of life, and women 18 more.

Longer life is certainly one of the most positive achievements of Japan's remarkable economic growth and sustained social peace in recent decades. However, in many private companies, public corporations and sections of civil service, there is a venerable old tradition of retiring their employees at 60 or earlier. Theoretically, upon retirement, persons who have had long-term employment with these relatively desirable employers may look forward to 20 or more years of leisure. And yet work still is the way of life for a great majority of Japan's older persons. Right up to 70 years of age, more than 50 percent of men and nearly 30 percent of women were found working by a government survey undertaken in 1983 (MOL 1985c).

This paper examines the labor force characteristics and employment problems of Japan's older persons 55 years and older. In describing the work-related characteristics of Japan's over-55s, we will stick closely with statistical data and add, where appropriate, interpretive comments on the socio-economic forces that lie behind the data. The characteristics studied are: labor force participation rates (LFPRs), types of employment, Japanese meaning of "lifetime employment," implications of mandatory retirement, labor market conditions for older workers, etc. Male-female differences are prominent with respect to any one of these characteristics, precluding the discussion of asexual "Japanese." Welfare and policy implications of the findings are also considered.

1. Labor force participation

In Japan, more than 97 percent of men 30 to 50 years old have been regularly in the labor force in the last 15 years. The LFPR begins to slip as men turn age 50 but still remains high till their 70s by international comparison. (The bunching of all over-65s for statistical purposes, as in Table 1, subsumes the still active age group, 65-70, under a misleading catch-all. More on this later.) Women's LFPRs are quite different from men's across age groups in any year or within an age group over time. They are generally lower than men's and more cyclically sensitive. Annual time series (not shown here) indicate that women's LFPRs decreased in 1973-75 more than justified by the declining trend over the preceding decade. But since 1975, both the trend and cycle have been reversed: i.e., women's LFPRs have been on the rise in the last ten years. By comparison, men's LFPRs seem to be declining. Even older women's LFPRs also seem to be rising on the whole.

(Table 1 about here)

Older persons' LFPRs are influenced by the availability of suitable work for them. Self-employment in which a worker can choose the amount of effort and the time of retirement at his or her discretion is generally considered suitable for older persons. Over the life cycle, an individual also acquires the skills and resources to strike out on his or her own. In addition, well-paid jobs become scarce for over-55s because the rule of mandatory retirement as an indispensable condition of "lifetime employment" preferentially allocates these jobs to younger workers. For these and other reasons, it can be expected

that the percentage of persons in self-employment rises with age, while the percentage of those in paid employment falls. Table 2 shows the proportion of workers in paid employment for selected years. The complement of this proportion (i.e., 100 minus this) is the proportion in self-employment or employed as family workers. As may be seen from this table, nearly two-thirds of workers (male and female) aged 45-49 are paid employees, but more than a half of employed persons 60 years and older are self-employed or family workers. The proportion of women who are self-employed or family workers is generally higher than that of men. Over the years, the proportion of women employed for paid work has increase substantially, together with the rise in women's labor force participation. The generally high LFPRs for older Japanese as seen from Table 1 can be attributed in part to the apparently plentiful supply of self-employment opportunities.

(Table 2 about here)

Predictably, nearly a half of the self-employed older workers are engaged in agriculture. In Japan, farms are small; about 70 percent of them are less than one hectare (about 2.5 acres). In old days, these tiny farms required back-breaking labor to work, befitting the reputation of Japanese agriculture as a labor-intensive industry. Today, with motorized or automated farm equipment and tools, productive farming on a 2-acre farm may very well be a kind of gardening for pleasure. Its main output, rice, is heavily subsidized by the price support program of the government. Enjoyable work with its output guaranteed for a price four or five times the world market price is highly suitable to older persons. Outside agriculture, self-employed persons

largely look after small retail stores and eating places. (Statistical data, though not tabulated here, can be easily found in the usual labor force reports used as the sources for Table 1.)

Even when older persons work for pay, they are still largely in the self-employment sector: most of them are employed by working proprietors of small enterprises. However, this is a rather important characteristic of elderly employment that illuminates the logic of Japanese industrial organization, because its corollary is that large corporate firms do not want older workers. Table 3 illustrates this point. Table 3 shows the distribution of paid workers by size of enterprise, where size is measured by the number of employees of a firm. Employment in government services is also indicated. Table 3 shows that large firms generally shun older workers and women. The share of large firms (with 1,000 or more employees) in the paid labor force of all ages is 19.7 percent. Much smaller proportions of older age groups are found in large firms' employment (for example, 8.0% of the 60-64 group). Government's share in an age group's employment follows the private sector patterns. Large firms also prefer males to females, as may be seen from a smaller percentage of women than men in any age bracket hired by large firms. Even so, it is only up to age 55 that large firms employ a stable 22 percent of paid male labor force. The share falls perceptibly for 55-59 and precipitously for 60 and over.

From the above discussion, three broad categories of employment emerge: self-employment, paid work in small proprietary firms, and paid work in large corporate firms. As sources of demand for labor,

these three sectors of the economy compete for the economy's human resources. Human resources are differentiated by sex, age, education, taste and countless other attributes. Through competition in the labor market, different sources of demand for human resources obtain kinds and amounts of human resources they respectively can afford to pay for. Large corporate firms which generally can afford to pay higher wages than other kinds of employers attract the best human resources of the economy: young, beautiful and intelligent. Smaller firms scramble for the leftover. Individuals with an entrepreneurial propensity or with no employer to hire employ themselves. This structurally differentiated process of human resource allocation, when seen on the dimension of age, means that desirable employment opportunities are preferentially allocated to younger men. Thus, as men age, unless they decide to withdraw from the labor force altogether, they gravitate toward less desirable employment types: e.g., from large to small firms, and from small firms to self-employment. One well-known kind of downward movement is due to the "standard practice of large firms [involving] sending retired employees over age 55 down to work at reduced wages in small and medium subcontractors" (Cole 1976: p. 180). We will explore this and other kinds of downward movement of men in the following sections. How women fit into the whole process is a more difficult question. Their changing role in the labor market will also be explored.

2. Mandatory retirement (teinen)

Mandatory retirement from well-paid jobs at private firms, public corporations and government services is generally considered one of the most serious problems that work against the employment security of older workers. In 1984, 87 percent of Japanese enterprises employing 30 or more workers practiced some kind of mandatory retirement (uniformly over all employees or specifically by sex, position or occupation). The retirement ages were 60 or younger in 97 percent of these firms. Thirty percent of these firms even retired their employees at 55 or earlier (MOL 1985). Several years ago, a majority of firms did so. Ironically, the formal rise in the retirement age in some companies from 55 to 60 in recent years was accompanied by a management strategy to induce some employees to voluntarily retire earlier, in their early forties. The rationale was to enhance the cost effectiveness of human resources by weeding out the "burned-outs" and to keeping only the competent and promising employees who would continue to perform right up to the retirement time. A word sometimes means entirely different things in different countries. In other countries, "retirement" means the end of paid employment and the beginning of leisure or voluntary activities. In Japan, it means the end of a primary career and the beginning of different kinds of employment (Campbell 1980: p. 2).

Mandatory retirement currently affects only a minority of older labor force participants. A Ministry of Labor survey of 55-69 years old Japanese affords a view of the extent of mandatory retirement (MOL 1985c). The survey was undertaken in June 1983, referring to the

employment status in May of that year. Highlights thought to be useful for the discussion of this section are presented in Table 4.

(Table 4 about here)

This survey uses different concepts of employment from those used by the regular labor force survey. The persons are classified as "employed" or "not employed" by whether or not they, during May 1983, had any job which yielded income and at which they worked at least a day. (The labor force survey defines employment as at least an hour's work during the reference week or having a job, though not at work for specified reasons.) Nevertheless, there is a broad degree of consistency between Table 4 based on the MOL survey and Tables 1-3 based on the labor force survey. A considerable proportion of persons not employed in Table 4 reportedly want work, either "at any cost" or "if possible" (the survey's language). Those not employed but wanting work amount to one-half of the non-employed persons. But just how many of those wanting work are "unemployed" in the sense of the term in the labor force survey is not clear. The labor force survey defines unemployment by actual job search, not by personal wishes as in this survey. It is true, however, that the labor force survey also turns up unemployment rates among older persons considerably higher than the Japanese average.

Especially appropriate are the data generated in response to a question: "Were you employed by companies (or like organizations and enterprises) when you were 55 years old?" Answers are summarized in Rows 8-13 in Table 4. Employment experiences of men and women are so different that we will comment on men and women separately.

More than 70 percent of Japanese men 55-69 years (regardless of their employment status at the time of the survey) said that they were company employees at age 55. Men who experienced mandatory retirement amounted to 29 percent of all men covered by this survey. This was 39.5 percent of men who said that they were company employees at age 55 ($= 29.0/73.4$). In a higher age group, 65-69, 37.4 percent of all men in this group or 51.0 percent of former company employees among them had experienced mandatory retirement. Information is not available on how those men who did not experience mandatory retirement left their jobs or whether they had left their jobs at all (although one can reasonably be sure that they had, from various other sources). These former company employees who had left their jobs for reasons other than mandatory retirement (most probably, they simply resigned) may have been under terms of employment not requiring mandatory retirement or in companies not practicing mandatory retirement. Since "regular" employees, especially "lifetime" employees among them, are usually subject to mandatory retirement, one can only surmise that the former company employees who left their jobs for reasons other than mandatory retirement were probably non-regular employees or, in a few cases, company officials exempted from the usual type of mandatory retirement. It is also a usual company practice to pay a larger severance pay to employees forced out by mandatory retirement than to those who voluntarily resign unless "voluntary" resignation is a disguise for a permanent layoff. Companies not practicing mandatory retirement are mostly smaller firms.

After mandatory retirement, what happened to the retirees? Table 4 (Rows 10 and 11) indicates that most of them became company employees

again. According to the source material (though not shown in Table 4), the companies they were working for were mostly different from the ones at which they retired, although 40 percent of the retirees said that following the retirement, they were re-employed for a year or two by their former employers. Most of the working retirees (nearly 60%), in transition to their post-retirement jobs, did not experience any instances of unemployment. About 30 percent experienced unemployment once. Those who experienced unemployment twice or more were miniscule proportions of the working retirees. The picture that emerges from this MOL survey is an optimistic one: i.e., the retirees who wanted work easily found it in their companies, at least for a while, or in other companies, without interim unemployment. A different survey of employed retirees (KKKK 1985), on which more will be drawn later, indicates that types of the post-retirement transition to new jobs vary according to the size of enterprise and the occupations that the retirees attain by the time of retirement. In large firms, the retiring managers find their jobs in other companies with the help of the companies where they are retiring. The employer help for the placement of white collar employees is less than that for managers. But even the unassisted white collar retirees somehow find their new jobs on their own and continue working. Almost no help is given to the retiring blue-collar workers, and they tend to be less successful in finding new jobs than white collar. In smaller firms, managers and white-collar employees tend to be re-employed in the same enterprises where they retire, but blue-collar workers are largely uncared for. The latter tend to withdraw from the labor force altogether. Although mandatory retirement is an

aspect of good employment opportunities, the benefits of placement services and post-retirement job prospects are unevenly distributed among the retirees. (On this more later in connection with labor markets for older workers.)

Finally, who were those men who said they were not company employees at age 55 in Table 4 (Row 13)? They amount to more than a fourth of the men 55-69 years of age. They were either not working at all or running their own businesses as self-employed or family workers. Many of the former company employees at age 55, as they aged, withdraw from employment altogether or became self-employed. When Row 2 is compared with Row 8 for the 65-69 group, 71.3 percent of men in this group were company employees when they were 55, but a lower percentage of them, 28 percent, were currently in paid employment. Thus it would appear that two-thirds of the former company employees had subsequently either changed to non-company employment (self-employment) or withdrawn from work by age 65. This again shows that self-employment is a more durable and agreeable type of employment for older persons who want to work.

Women's employment and retirement experiences in Table 4, while reflecting what is generally known about women's labor force participation, contain one important characteristic when compared with men. It is interesting that although more than one-third of 55-69 year-old women were company employees when they were 55, those among them who experienced mandatory retirement were proportionately far fewer than among men who were company employees at 55. This presumably arises from the fact that very few women were employed at jobs privileged enough to require mandatory retirement. This brings us to

the qualitative differences in the terms of employment that firms offer to their employees according to the latter's different personal attributes. The norm around which the Japanese firm's human resource strategy is organized is the concept of a "standard employee" to whom "lifetime" employment is implicitly ensured. A firm also hires different kinds of workers and mixes them with "standard employees" in some optimal way for profit maximization.

3. The "standard employee" and "lifetime employment"

Mandatory retirement at a given age, mostly 55 until recently and now increasingly 60, is a managerial device by which the privileged status of an employee as "standard employee" is brought to a formal end after many years of uninterrupted employment often dubbed "lifetime employment." The word "lifetime" has no independent meaning in this case. It is only an attention-getting alias for "long-term," and how long a "long term" is depends on a managerial decision made in the usual profit-maximizing manner. (Much misunderstanding and confusion have arisen in the discussion of "lifetime employment" precisely because "lifetime" is often interpreted literally as equal to or at least very close to a biological life span. (On this, see Taira, 1985a.) If mandatory retirement is the end of "lifetime employment," what is its beginning? The beginning is the recruitment of a new, young employee preferably fresh out of high school or college. The one who is so recruited and meant to be retained until mandatory retirement is called the "standard employee" who is at the center of the firm's attention as a lifetime career employee. The career plan that a firm can design for its employees is the basic determinant of the length of tenure. Since the employee's career progress involves investment in training, formal (off the job) as well as informal (on the job), the tenure must be long enough to yield a satisfactory rate of return on the investment for the employer, while allowing the employee a satisfactory series of regular wage increases over the employment period topped off by retirement benefits. (Rationale for long tenure has

recently become a fashionable subject for economic analysis: Ehrenberg and Smith 1982, Chuma 1984, OECD 1984, Hashimoto and Raisian 1985.)

The wonder of Japan's "lifetime employment" is not either how long it is or why it ends so early by standards of modern longevity. It is in how it begins: i.e., recruitment. The standard employee destined for lifetime employment enters the employ of a firm upon graduation from school or college. At this time, he decides to stick with the first and, eventually, only employer for 25 or 30 years. Intense job shopping takes place during the last school year with help from the placement services of the schools, colleges and public and private employment offices. Even so, it is remarkable that a young person, male in this case, can make up his mind to stay with a given company for the next 30 years--the length of time that might indeed appear to him like an entire lifetime. The Japanese apparently believe that the initial match of the employer and the employee can be error-free. (To what extent the initial match bears out this belief will be shown statistically shortly.) Even if it is much less than perfectly error-free, lifetime employment beginning with entry from school and ending with exit under mandatory retirement is upheld as the respectable norm of employment relationship deserving social acclaim and differential rewards as compared with other types of employment.

There is no way of observing all individual careers from entry into a firm to retirement from it. We have to depend upon certain aggregative data which help us estimate what proportion of workers in a given age group can be considered "standard employees" destined to be "lifetime employees." (For all practical purposes, "standard" and

"lifetime" employees are synonymous.) Table 5 presents such estimates. Young persons normally graduate from high school at age 18. Some laggards may graduate as late as at 20. Given these graduation ages from high school, the "lifetime employees" in the age group of 25-29 years should have five or more years of service with their employers. Likewise, the 30-34 year-old "lifetime employees" should have been with their employers for more than 10 years. In this way, age brackets and length-of-service brackets may be cross-referenced to estimate the proportions of "lifetime employees" who are high school graduates, in various age groups. The proportions of "standard employees" who are college graduates can be similarly estimated. Abler students graduate from college at age 22 (high school plus 4 years), but laggards are more numerous at college than at high school. Entrance to college may be delayed by the failure to pass the entrance examination at the first try. Graduation may be delayed by the failure to complete the curriculum requirements in four years (Taira 1985b). Thus, it is assumed that the "lifetime employees" who are college graduates in the age group of 30-34 years should be associated with five or more years of service with their employers. As an age group becomes five years older, the matched tenure group acquires five more years of service. In this way, Table 5 was prepared.

(Table 5 about here)

Because of the odd ages at which people normally graduate from high school (18) or college (22), the fit between age groups and tenure groups is not as tight as might be hoped for. More strictly,

for example, the tenure of lifetime employees with a high school education in the age group 25-29 years should be seven (rather than 5) or more years. For this reason, the absolute level of the proportion of lifetime employees in any age group is likely to be an overestimate. Changes from age group to age group should be more reliable, however. (For similar estimates for 1980, see Okunishi 1983.)

Even with these generous estimates of standard, alias lifetime, employees, it is illuminating that their proportion generally falls as they grow older. In the age group of 50-54 years, just before mandatory retirement becomes effective in some firms, the male lifetime employees with a high school education are down to less than 30 percent of the age group. The proportion of female lifetimers falls rapidly very early, as may be expected from women's life cycles which result in a well-known M-shaped labor force participation profile over the lifetime. Better educated workers (college graduates) tend to be attached to their jobs much longer than less educated. Employees in larger firms also tend to stay with their jobs longer than those in smaller firms.

Lifetime employment is often epitomized by male lifetimers in large firms. Table 5 bears this out. It is impressive that in large firms (with 1,000 or more employees), more than two-thirds of men in the age group of 50-54 years with a college education have been with the same firms for 25 or more years. To generalize, this implies that more than two-thirds of a given year's college graduates will eventually stay with the employers of their first choice for 25 or more years. Nowhere do such a large majority of college graduates make up their

minds so early to stick with the same employers so long. A unique feature of the Japanese tenure phenomenon is precisely this: young men display a strong propensity to settle down for long tenure very early in their lives. (For international comparison, OECD, 1984.) In other countries, young men at a job keep asking themselves what better jobs elsewhere they might be passing up. Young men in Japan apparently do not believe that life and work can be any more exciting anywhere than what they presently have. This mature resignation to life's imperfections among young men should be regarded a most extraordinary psycho-cultural phenomenon deserving more scholarly, analytical attention than it has received so far (Doi 1973).

Lifetime employees among women workers are generally proportionately fewer than those among men, but the proportion changes according to education and firm size in ways observed among men: higher for more educated and higher in larger firms. An apparently anomalous reversal in the male-female comparison of age-tenure relationship occurs in Table 5 among older workers (60+): e.g., among workers 60 years and older with a college education, the proportion of those with 30 or more years of employment tenure is higher among women than among men. This is a matter of great potential importance worth probing further.

The reduced weight of long-term employees among older men as compared with older women implies that the average length of service among them should also be lower than among older women. This is shown by Table 6. Age 60 seems to be the divide at which the reversal in the male-female comparative length of service occurs. Before age 60,

men's average length of service is generally higher than women's. But after age 60, women's is invariably higher than men's. Furthermore, women's average length of service improves age bracket after age bracket, but men's peaks at the 50-54 year bracket. After age 60, men's average decreases precipitously. This pattern of men's average tenure peaking at 50-54 years of age must in part be attributed to the rule of mandatory retirement which is applied to a significant minority of men at 55 or earlier.

(Table 6 about here)

However, the irony which should be a feminist's delight is that by international standards, Japanese women's age-tenure relationship is normal and Japanese men's abnormal (OECD 1984). In the OECD countries, for both men and women, average tenure rises with age right through the age bracket 65 and older. Japanese women's age-tenure relationship conforms to this profile. The increase in women's tenure relative to men's among older Japanese produces a predictable effect on male-female wage differentials: i.e., the differentials narrow as men and women grow older, as shown by Table 7. For all men and women,

(Table 7 about here)

women's wages are on the average 55.3 percent of men's--a figure often cited as an illustration of Japan's sexist discrimination against women. In the 65+ bracket, however, women's wages rise to 75 percent of men's. Older women with a college education 60 years and older even seem to attain wage parity with their male peers (97.8% for the 65+ bracket). (The age-wage relationship and the male-female wage differential in large enterprises behave rather erratically. This is

due in part to the very small size of the relevant population.) On the whole, then, Japanese women who have to tolerate sizeable wage differentials during men's "lifetime employment" eventually come close to wage parity with men after the latter are deprived of advantages based on an early head start in the accumulation of seniority. In addition, after both men and women have withdrawn from work altogether, women are going to enjoy several more years of life on earth than men. For men, the life after 55 years of age, and most surely after 60, is a life of decline. For women, in contrast, it seems to be one of accent and potential glory. At age 70, one might wonder who, man or woman, had enjoyed more of "lifetime" employment. Such is the mystery of Japan's "lifetime employment."

4. Labor markets for older workers

Employment and wages are outcomes of labor market processes. We have noted an occupational downgrading and a decline in earnings as major characteristics of Japanese men 55 years and older. This process also crowds out some of the workers who had been working at lower-wage activities. This curious form of labor market "bumping" results in the exit from the labor market of less advantaged workers to make room for those coming down from high-wage firms. Workers leaving the lifetime-employment sector under mandatory retirement are directed toward smaller enterprises by their former employers. While firms with good placement services for their retiring employees are touted for their considerate (paternalistic) personnel policy, little attention is paid to how smaller and weaker firms are pressured into accepting the retired employees from larger and more powerful firms and how they create openings for the new employees. Perhaps some of their own personnel have to be dismissed to make room. It certainly does not sound equitable that less well paid workers at less powerful firms are more likely to be forced out of the labor market or even out of the labor force. It should be desirable to generate direct evidence showing that the transfer of retirees from the lifetime employment sector in smaller enterprises results in the displacement of the employees of these firms. Such evidence is unfortunately not at hand. Under the circumstance, we have to depend on inferences from indirect evidence which shows how workers who are in more favorable positions prior to mandatory retirement generally fare better in their post-retirement job changes than workers in less favorable positions.

A study by KKKK (Society for Employment Development for Older Workers) sheds some light on the question posed. It shows that the post-retirement labor market advantages of retirees are closely related to the economic advantages attained by them by the time of retirement. The study was made in the summer of 1983 and had to do with the retirees of 1977 and 1982. The published findings refer to the 1977 retirees because of the much needed perspective. The study extracts higher, average, and lower earnings groups from the sample and relates other characteristics to the earnings levels. Occupationally, the higher earnings group is predominantly managerial, while the lower earnings group is largely blue collar with small percentages for managerial, white collar and service workers. The average group comprises even shares of managerial, white collar, and blue collar workers. The study covers former employees who experienced mandatory retirement at establishments employing 100 or more workers. Practically all of the higher-earnings group and 88 percent of the average group belonged to large enterprises with 1,000 or more workers. The lower-earnings group was more spread over firms of various scales. Even so, 65 percent of those in it came from large firms. At the time of retirement, 87 percent of the higher group, 85 percent of the average group, and 50 percent of the lower group had worked for their employers for 25 or more years. Thus, the study covers the quintessential lifetime employees of large firms. Only those in the lower-earnings group were seen in smaller (though by popular classification, medium-sized) enterprises to any noticeable degree.

At the time of the study (1983), six years after the retirement, two-thirds of the higher group, 47 percent of the average group, and 44 percent of the lower group were found employed (KKKK 1985, p. 59). The proportion not employed was the highest in the lower-earnings group, suggesting the greater labor market disadvantages of this group than the other groups. The affiliates of subsidiaries of the retirees' former employees hired 58 percent of the higher-earnings group, but took on only 15 percent of the lower group, with the average group in the middle with 38 percent (ibid., p. 58). The percentages of the three groups are neatly reversed for unaffiliated firms who employed them. Although a roughly equal 40 percent of each group was re-employed for a while by the same firms where they retired, different groups experienced different degrees of success in finding jobs upon the expiration of the re-employment period: i.e., 40 percent of the higher-earnings group found new jobs right away, but only 11 percent of the lower group did so (ibid., p. 69). Only 12 percent of the higher-earnings group remained jobless for more than three months, but 45 percent and 74 percent of the average and lower-earnings groups respectively did so. Thus, the burden of joblessness before new jobs were found was heaviest among the least well-off retirees. In addition, when jobs were found, wages on the new jobs were lower than wages before retirement for more than two-thirds of the retirees in all three groups (ibid., p. 72).

The year 1977 was near the bottom of an employment depression 1973-78 induced by the Oil Shock of 1973 and subsequent industrial adjustment (Levine and Taira 1985). The retirees discussed above were

a more fortunate subset of job leavers of that period. Less fortunate than they were the lifetime employees who were prevailed upon by their employers to take an early, voluntary retirement. Their experience presents a gloomier post-retirement picture than what was described above for those who stayed employed right up to mandatory retirement. For comparison, this may be summarized briefly (Dore 1983).

In November 1978, the Seisaku Suishin Roso Kaigi (Trade Union Conference for Policy Promotion) undertook a study of blue collar workers who left their jobs under an improvised program of voluntary early retirement. The job leavers were male household heads, 40 years or older, two-thirds of them with but nine years of education, and supporting 3.9 family members on average. These job leavers found their new jobs after variable delays of joblessness: 20.4 percent immediately after the job separation, 18.3 percent within six months, 11.1 percent between six and 12 months, and 4.9 percent after a year, with 44.8 percent still jobless at the time of study (roughly 18 months after the beginning of the study period). Although the new jobs were described as "regular employment" in companies, the median wages on them were 25 percent lower than the median on former jobs. The lower wages were partially made up for by the severance pay received from their former employers at the rate of 37 times the former monthly wages. The study also indicates some significant differences in the job search methods of employed and unemployed job leavers. The help of the former employer was mentioned by 36 percent of the employed, but only 20 percent of the unemployed said that they

were being helped by their former employers. Two-thirds of the unemployed were using the public employment services, but only 12 percent of the employed mentioned the use of these services. Friends and relatives were an important factor in job search for 58 percent of the unemployed, but only to 31 percent of the employed. A large percentage of the unemployed (20%) were using newspaper advertisements on openings as compared with 8 percent of the employed who had used them. Thus, employers' placement services again surface as the most significant factor in successful job changes. Unfortunately, what accounted for the differential access to the employer services among the job leavers was not probed. Privileges seem to be unevenly distributed everywhere, even among the less privileged.

From the studies of the labor market process affecting certain categories of older men introduced above, it appears that job changes are made easier or tougher according to the more or less successful careers of the job changers prior to the job changes. Japan's dualistic economy presents a clear-cut structure of successes and failures based on the size of the firm. Employment in large firms carries a bundle of numerous privileges not accompanied by employment in smaller firms. Within a firm, occupational ranking--managers, white collar, and blue collar--allocates the privileges. Large-firm blue collar may be less privileged than their managerial or white collar colleagues, but they are substantially better off than their counterpart, or even white collar, in smaller firms. What happens to older men after age 55 therefore depends on where in this dualistic structure of privileges individuals were placed before age 55.

Statistical data indicate that small-firm blue collar workers with a high school education or less begin their career decline in their mid-forties. Their prospects in older persons' labor markets are dimmed further by the "crowding in" on them of the privileged former employees of large firms. Thus, the society of older men 55 and older, even though they have left behind their pre-55 job titles, privileges or burdens, still function under the constraints of the pre-55 occupational stratification. But it must be emphasized that we are only speaking of the world of men without including women, except as spouses and dependents of men. We recall the remarkable statistical picture previously presented showing how older women were gaining on older men in employment and wages. Unfortunately, we understand very little what implications these statistical findings have for the socio-economic structure of the society of older persons, although increasing attention is now being paid to the lengthening employment tenure of Japanese women (Takahashi 1983).

Conclusion

Japan's aggregative labor economy is now one of the excess supplies of labor. By the usual labor force survey, Japan's unemployment rates have been 2.5-3.0 percent in the last three years. If the labor force concepts were the same as in other countries, Japan's unemployment rates could be considered those of an economy under full employment. But the concepts are not the same (Taira 1983), and the Japanese labor scholars generally regard Japan's "natural rate of unemployment" under the Japanese labor force concepts to be somewhat less than 2.0 percent. With reference to this rate, the current unemployment rates close to 3.0 percent signal serious excess supplies of labor. This view of the state of the labor force is consistent with the ratio of job openings to job seekers reported by the Public Employment Stabilization Administration. Ever since the Oil Shock of 1973, the ratios have been below unity, currently as low as six openings for every 10 job seekers (MOL 1985a). These statistics look worse for older workers: e.g., there is only one opening for every 10 job seekers 55 years and older. In the labor force statistics, the unemployment rates among men 55 years and older in 1984 averaged at 4.3 percent as compared with 2.7 percent for the entire labor force. Older women show lower unemployment rates than the average, principally because they perceive themselves as being out of the labor force if they are not working. Special labor force surveys often report that many women out of the labor force (those who say they are mainly keeping house), when questioned further, admit that they are looking for work. When those looking for work are sorted out of the women earlier considered

not in the labor force, Japanese women's rate of unemployment rises to a level much higher than the official rate (Sorrentino 1984).

General excess supplies of labor and discriminatory employment practices of major firms on grounds of age and sex heighten the labor market disadvantages of older men and women. Accelerating technological changes further intensify the difficulties for them. While older persons have strengths that make them desirable employees, they have weaknesses that tend to disqualify them for employment in technologically dynamic environments. Some of these weaknesses are: physical weakness, reduced adaptability to new skill requirements, increased resistance to new knowledge, and attitudes against change (Sekiguchi 1980). In Japan's dualistic economic structure, technological changes are vigorous in large high-wage firms. The best of young, well-educated, and adaptable workers are absorbed by these firms, which by the logic of the same managerial strategy dump older, used workers on the rest of the economy. Since economic growth is now rather modest, the rest of the economy fails to generate demand for labor strong enough to absorb the displaced older workers without either driving some of the workers there out of employment or reducing wages and benefits in general. This pattern of structural unfairness in the labor market processes and outcomes is likely to persist.

One solution may be to encourage older workers to withdraw from the labor force. By international standards, the labor force participation rate of Japan's elderly is too high at present. A necessary inducement for the labor force withdrawal is an adequate income maintenance through social security benefits. This means that

the working population must be prepared to give up a larger proportion of its earnings in social security contributions for a transfer to the non-working aged. Japan's social security benefits and costs are still at a relatively low level relative to Japan's GNP, as compared with other OECD countries (except for the U.S.A.). This leaves Japan some room for maneuver before the young begin feeling oppressed by the burden to support and care for the aged. However, how much social security should expand and to what extent expanded social security might reduce the employment problems of older Japanese by taking some of them out of the labor force remain to be seen.

Table 1. Labor force participation rates, by sex and age, selected years

	<u>All ages</u> ^{1/}	<u>45-49</u>	<u>50-54</u>	<u>55-59</u>	<u>60-64</u>	<u>65+</u>
<u>Male and female</u>						
1974	63.7	79.6	74.5	68.3	57.0	28.8
1979	63.4	80.5	77.1	68.7	56.0	26.5
1984	63.4	82.0	78.1	70.0	53.5	24.8
<u>Male</u>						
1974	81.8	97.2	95.9	92.1	80.2	45.7
1979	80.2	97.2	95.6	91.9	77.1	41.1
1984	78.8	97.1	95.6	90.5	73.8	37.6
<u>Female</u>						
1974	46.5	62.4	57.5	49.0	37.8	15.7
1979	47.6	64.1	59.1	50.7	38.8	15.6
1984	48.9	67.1	61.0	50.9	38.0	15.9

Sources: Management and Coordination Agency, Statistics Bureau, Annual Report on the Labour Force Survey 1984 (Tokyo, 1985) pp. 16-27.

^{1/} Refers to all labor force participants 15 years and older.

Table 2. The proportion of employment in paid work by sex and age, selected years

	<u>All age groups^{1/}</u>	<u>45-49</u>	<u>50-54</u>	<u>55-59</u>	<u>60-64</u>	<u>65+</u>
<u>Male and female</u>						
1974	69.4	64.1	59.2	53.6	47.4	36.5
1979	70.7	66.8	64.0	56.3	46.6	35.5
1984	74.0	71.7	68.6	63.0	48.7	34.1
<u>Male</u>						
1974	75.5	71.6	68.5	62.2	54.7	41.0
1979	76.3	73.5	71.1	63.7	53.9	41.1
1984	78.8	67.7	69.2	56.2	30.2	39.4
<u>Female</u>						
1974	59.4	52.2	47.1	41.3	34.9	22.7
1979	61.9	57.0	53.1	44.7	36.6	26.1
1984	66.5	64.3	59.0	50.0	36.9	25.5

Sources: Same as Table 1, pp. 34-41. Employment = Labor force - Unemployment. Employment in paid work = Employment - (Self-employment + family labor).

^{1/} Refers to all employed persons 15 years and older.

Table 3. The distribution of non-agricultural paid workers by scale of enterprise, sex and age, 1984

	<u>All age groups^{1/}</u>	<u>45-49</u>	<u>50-54</u>	<u>55-59</u>	<u>60-64</u>	<u>65-69</u>	<u>70+</u>
<u>Male and female</u>							
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1-99	48.9	50.8	50.3	53.3	67.2	72.8	76.3
100-999	19.3	19.1	17.6	17.9	16.8	13.6	13.2
1000+	19.7	18.7	18.1	14.7	8.0	5.1	2.6
Government	11.8	11.5	13.9	14.0	8.0	8.5	7.9
<u>Male</u>							
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1-99	45.6	45.0	44.5	48.3	63.5	71.4	74.7
100-999	19.8	19.5	18.4	19.0	18.8	14.3	14.3
1000+	22.1	22.8	21.7	17.1	8.2	4.8	3.6
Government	12.2	12.4	15.4	15.6	8.2	7.1	7.1
<u>Female</u>							
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1-99	55.1	60.7	61.5	65.1	75.0	72.3	90.0
100-999	18.4	18.5	16.8	15.1	12.5	5.6	0
1000+	15.3	11.6	10.9	9.3	7.5	5.6	0
Government	11.1	9.2	11.7	10.5	7.5	11.1	10.0

Sources: Same as Table 1, pp. 100-105. "Scale" is by the number of employees.

^{1/} Refers to all non-agricultural paid workers 15 years and older.

Table 4. Older persons' employment statuses and experiences with mandatory retirement, by age and sex, 1983 (%)

	Male					Female				
	All persons	55-59	60-64	65-69		All persons	55-59	60-65	65-69	
(1) All persons 55-69 years	100.0	100.0	100.0	100.0		100.0	100.0	100.0	100.0	
(2) Employed persons	75.0	86.9	71.3	58.5		42.3	52.3	39.9	30.5	
(3) Paid workers	46.2	60.6	40.3	28.0		20.0	26.6	18.7	11.9	
(4) Self-employed or family workers	28.7	26.2	31.0	30.4		22.2	25.7	21.2	18.6	
(5) No information	0.1	0.1	0.0	0.1		0.0	--	--	--	
(6) Persons not employed	25.0	13.1	28.3	41.5		57.7	47.7	60.1	69.5	
(7) Want work at any cost or if possible	12.5	8.2	15.8	16.1		17.1	18.4	18.3	13.3	
(8) Were company employees at age 55	73.4	75.4	72.2	71.3		34.1	36.1	35.1	30.0	
(9) Experienced mandatory retirement at or after 55	29.0	19.9	35.5	37.3		5.7	4.0	7.3	5.9	
(10) After retirement worked for companies	20.8	15.3	24.5	26.2		2.9	2.3	3.6	2.8	
(11) After retirement, did not work for companies	8.2	4.6	11.0	11.2		2.8	1.7	3.7	3.1	
(12) Did not experience mandatory retirement	44.4	55.5	36.7	34.0		28.4	32.1	27.8	24.1	
(13) Were not company employees at age 55 (including no information)	26.6	24.6	27.8	28.6		65.9	64.0	64.9	69.9	

Sources: Ministry of Labor, Konenreisha shūgyō jittai chōsa hōkoku (Report on the survey of employment statuses of older persons) (Tokyo, 1985). The survey was undertaken in June 1983.

Table 5. The proportion of paid workers in an age group who are "lifetime employees," by age, sex, education and enterprise size, 1984 (%)

Age (years)	High school graduates		College graduates		College graduates- employed in enter- prises with 1,000 or more employees	
	Male	Female	Male	Female	Male	Female
25-29	64.1	59.0	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>
30-34	59.8	36.2	81.3	64.3	90.7	74.6
35-39	47.7	16.3	76.5	51.9	89.9	62.0
40-44	47.9	9.7	70.4	33.5	86.8	36.3
45-49	33.2	5.9	68.8	23.5	86.9	30.7
50-54	27.6	7.4	55.1	18.2	71.7	12.3
55-59	(21.9) ^{2/}	(5.8) ^{2/}	32.0	24.1	52.5	9.0
60-64	(7.2) ^{2/}	(5.6) ^{2/}	(11.6) ^{2/}	(12.0) ^{2/}	(22.0) ^{2/}	(15.8) ^{2/}
65+	(10.0) ^{2/}	(10.8) ^{2/}	(13.6) ^{2/}	(16.4) ^{2/}	(12.0) ^{2/}	<u>3/</u>

Sources: Estimated from Ministry of Labor, Chingin sensasu (Wage census) (Tokyo, 1985). See text for the definition of "lifetime employee" and how "lifetime employees" are identified among paid workers of a given age group. This statistical survey covers establishments employing 10 or more paid workers.

^{1/} Because of the particular assumptions made to facilitate estimation, "lifetime employees" cannot be identified in this age group for college graduates. See text.

^{2/} The figures refer to the proportion of workers in a given age group with 30 or more years of length of service with the same employers. Ideally, for each successive age group, tenure should increase by five years. Data on tenure do not allow this to happen, however.

^{3/} No women workers in this category.

Table 6. The average length of service by age, sex and education,
1984 (in years)

	<u>All ages</u>	<u>45-49</u>	<u>50-54</u>	<u>55-59</u>	<u>60-64</u>	<u>65+</u>
All workers	10.0	15.2	16.5	14.9	10.8	12.8
Male	11.6	17.7	19.0	16.2	10.3	12.2
Female	6.5	9.3	11.2	11.8	12.0	14.3
High school graduates: ^{1/}						
male	11.3	18.3	19.4	15.9	9.9	12.5
Female	6.0	9.3	11.9	13.1	14.5	16.6
College graduates: ^{1/}						
Male	10.0	19.8	22.2	18.9	10.9	12.5
Female	4.7	10.7	15.0	19.1	14.5	19.2
College graduates employed in enterprises with 1,000 or more workers: ^{1/}						
Male	11.7	22.7	26.1	25.1	14.4	13.5
Female	4.2	12.4	14.1	15.7	18.1	20.2

Sources: Ministry of Labor, Chingin sensasu (Wage Census) (Tokyo, 1985).

^{1/} The sources do not give the average length of service comprising men and women by education.

Table 7. Regular monthly earnings by age, sex and education and firm size, and male-female differentials, 1984 (thousands of yen)

	<u>All ages</u>	<u>45-49</u>	<u>50-54</u>	<u>55-59</u>	<u>60-64</u>	<u>65+</u>
<u>All worker</u>						
Male	265.1	328.4	318.7	276.7	218.0	200.4
Female	146.6	151.0	155.2	158.8	147.3	150.3
F/M (%)	55.3	46.0	48.7	57.4	67.6	75.0
<u>High school graduates</u>						
Male	255.9	327.8	325.0	280.4	221.7	203.9
Female	147.6	166.0	178.3	188.8	182.9	192.3
F/M (%)	57.7	50.9	54.9	67.3	82.5	94.3
<u>College graduates</u>						
Male	301.9	443.8	474.2	458.4	372.2	371.1
Female	196.5	278.3	342.9	399.3	352.3	362.8
F/M (%)	65.1	62.7	72.3	87.1	94.7	97.8
<u>College graduates in enterprises with 1,000 or more employees</u>						
Male	339.2	493.0	538.9	523.8	424.6	316.1
Female	199.5	372.1	359.7	383.9	276.9	283.0
F/M (%)	58.8	66.3	66.7	73.3	65.2	89.5

Sources: Ministry of Labor, Chingin sensasu (Wage Census) (Tokyo, 1985).

References

- Campbell, John C. 1980. "The Aging Labor Force: Implications for Japan and the United States--an Overview." In Japan Society, The Aging Labor Force: Implications for Japan and the United States (New York).
- Chuma, H. 1984. "Japanese-Style Employment Practices: Their Generative Explanation." Discussion Paper, Department of Economics, Southern Illinois University at Carbondale.
- Cole, Robert E. 1976. "Changing Labor Force Characteristics and Their Impact on Japanese Industrial Relations." In Lewis Austin, ed., Japan: The Paradox of Progress (New Haven and London: Yale University Press).
- Doi, Takeo. 1973. The Anatomy of Dependence (Tokyo: Kodansha International).
- Dore, Ronald. 1983. "Flexible Rigidities: Industrial Policy and Structural Adjustment in the Japanese Economy: 1970-80." ILO, World Employment Programme Research Working Paper, WEP 2-36/WP 24 (Geneva).
- Ehrenberg, Ronald G. and Robert S. Smith. 1982. Modern Labor Economics (Glenview, Illinois: Scott, Foresman).
- Hashimoto, Masanori, and John Raisian. 1985. "Employment Tenure and Earnings Profiles in Japan and the United States." American Economic Review, 75, 4 (September).
- KKKK (Kōnenreisha Kōyō Kaihatsu Kyōkai -- Society for Employment Development for Older Persons). 1985. Teinen totatsusha no kyaria patan to intai katei (Career Patterns After Mandatory Retirement and the Process of Labor Force Withdrawal) (Tokyo).
- Levine, Solomon B. and Koji Taira. 1985. "Japan's Industrial Relations: A Social Compact Emerges." In Hervey Juris, Mark Thompson, and Wilbur Daniels, eds., Industrial Relations in a Decade of Economic Change (Madison Wisconsin: Industrial Relations Research Association).
- MCA (Management and Coordination Agency). 1984. Annual Report on the Labour Force Survey (Tokyo).
- MOL (Ministry of Labour). 1985a. Rōdō tōkei yōran (Abstract of Labor Statistics) (Tokyo).
- MOL (Ministry of Labour). 1985b. Chingin sensasu (Wage Census) (Tokyo).

- MOL (Ministry of Labour). 1985c. Kōnenreisha shūgyō jittai chōsa Hokoku (Report on the Survey of the Employment Status of Older Persons) (Tokyo).
- OECD (Organization for Economic Cooperation and Development). 1984. "The Importance for Economic Cooperation and Development). Employment Outlook (September).
- Okunishi, Yoshio. 1983. "Employment by Firm Size and Labor Market" (in Japanese). Monthly Journal of the Japan Institute of Labour, 25, 11, (November).
- Sekiguchi, Shiro. "The Problems Faced in the Japanese Industrial Workplace." In Japan Society, The Aging Labor Force (New York).
- Sorrentino, Constance. 1984. "Japan's Low Unemployment: An In-depth Analysis." Monthly Labor Review (March).
- Taira, Koji. 1983. "Japan's Low Unemployment: Economic Miracle or Statistical Artifact?" Monthly Labor Review, 106, 7, (July).
- Taira, Koji. 1985a. "Japan's Lifetime Employment Revisited." Faculty Working Paper, College of Commerce and Business Administration, No. 1137, University of Illinois at Urbana-Champaign.
- Taira, Koji. 1985b. "Education and the Labor Force in Japan." Faculty Working Paper, No. 1197, College of Commerce and Business Administration, University of Illinois at Urbana-Champaign.
- Takahashi, Hisako, ed. 1983. Kawariyuku fujin rōdō (Changing Female Labor) (Tokyo: Yuhikaku).

HECKMAN
BINDERY INC.



JUN 95

Round • To • Place® N MANCHESTER
INDIANA 46962

UNIVERSITY OF ILLINOIS-URBANA



3 0112 038252612